

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0653-01  
Bill No.: SB 94  
Subject: Banks and Financial Institutions; Business and Commerce; Energy; Natural Resources Department; Treasurer, State  
Type: Original  
Date: January 25, 2011

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Bill Summary: This proposal provides loan assistance programs to businesses for energy efficiency improvements.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue	\$0 to (Greater than \$100,000)	\$0 to (Greater than \$100,000)	\$0 to (Greater than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund*</b>	<b>\$0 to (Greater than \$100,000)</b>	<b>\$0 to (Greater than \$100,000)</b>	<b>\$0 to (Greater than \$100,000)</b>

**\*Costs to implement this proposal plus unknown impacts from the level of participation with the proposed programs could exceed \$100,000.**

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Department of Economic Development - Office of Public Counsel, Public Service Commission and Housing Development Commission, State Treasurer's Office, Department of Higher Education, and Department of Agriculture** assume there will be no impact to their agencies.

Officials from the **Department of Natural Resources (DNR)** assume Sections 30.750-865 would add eligible energy-saving enterprise as a borrower qualified to receive reduced interest rate loans under the State Treasurer's Linked Deposit Program. This would be a program expansion. The expansion would allow those that install energy improvements to businesses to be eligible for reduced interest loans through the Linked Deposit Program. Loans are limited to \$200,000 per project.

Section 30.865 would require the Environmental Improvement and Energy Resources Authority (EIERA) to accept applications and issue certificates of qualifications for eligible energy-saving enterprises, set certain eligibility parameters and provide rulemaking authority. This would be a new program for the EIERA.

Section 260.035.3 would create an interest buy down program, a new program for the EIERA, which would pay the difference between the normal and customary interest rate and 3% on loans to Missouri businesses financing energy efficiency improvements. The maximum total interest paid for a single project under this subsection would not exceed \$30,000. Participating businesses would be required to meet certain criteria to be qualified by the EIERA as an eligible energy-saving enterprise under Section 30.865; however, businesses cannot participate in both programs for the same project. Rulemaking authority would be granted to the EIERA.

Under Section 30.865 the EIERA would be responsible for accepting and reviewing applications from eligible energy-savings enterprises and determining borrowers' eligibility by analyzing their ability to repay, general economic conditions of the project area, results of an energy audit and other factors established by rule. Loans are limited to \$200,000 per project.

Officials of the EIERA would request .25 of an Energy Incentive Specialist FTE (similar to an Economic Development Incentive Specialist). This person would be responsible for assisting with development and promulgation of rules to implement provisions of the bill; establishing desk procedures by which the review and analysis of applications would occur; developing application and certification forms; overseeing contractors that perform the credit worthiness analysis of the borrower to establish their ability to repay and provide a report thereof;

ASSUMPTION (continued)

performing the analysis of the economic condition of the project area; reviewing and analyzing the results of the energy audit; analyzing other eligibility factors in accordance with regulations and program guidelines; preparing and presenting recommendations regarding certifications of qualification as an eligible energy-savings enterprise to the EIERA Board for action; providing technical and application assistance to potential borrowers; providing technical assistance and guidance to other staff relating to work methods and program procedures; responding to inquiries relating to the process for program participation; coordinating with the State Treasurer's Office; preparing and presenting program-specific seminars and workshops to prospective borrowers, energy auditors, energy improvement installation professionals, economic development professionals and banking professionals; preparing appropriate reports to ensure no duplication with other programs; and conducting site visits to verify compliance with eligibility requirements.

EIERA officials also assume 25 hours of legal services would be necessary to draft rules to implement provisions of the proposal and provide advice/representation on various matters relating to their promulgation. The EIERA's current contract with its General Counsel provides for fees of \$150 per hour for general matters of this type. It is also assumed that, as allowed under the EIERA's contract, certain legal expenses such as travel, delivery and telephone charges will be incurred in the developing and promulgation of these rules. It is anticipated that such legal expenses will not exceed \$300. Total legal contractual costs for this proposal are expected to be \$4,050.

Other contractual services necessary for implementation of this bill include those of the EIERA's Financial Advisor. It is assumed that 10 hours would be spent assisting in the development of those portions of rules and desk procedures relating to the creditworthiness analysis of the borrower to establish their ability to pay. It is assumed that the review of applicable portions of the application, analysis of the creditworthiness of the borrower to establish their ability to pay and preparation of a report thereon will take 6 hours per application and be performed by a company Vice President. The EIERA's current contract with its Financial Advisor provides for fees of \$180 per hour for the services of a Vice President. Total financial advisor costs for rule and desk book development are expected to be \$1,080. Total financial advisor costs per application are expected to be \$1,080. As this is a new program, it is unknown how many applications will be received per year.

Under Section 260.035.3 the EIERA would be responsible for creating and administering an interest buy down program which would pay the difference between the normal and customary interest rate and 3% on loans to Missouri businesses financing energy efficiency improvements. The maximum total interest paid for a single project under this subsection would not exceed \$30,000.

ASSUMPTION (continued)

To implement this portion of the proposal, EIERA officials would request .75 of an Energy Incentive Specialist FTE. This person would be responsible for assisting with development and promulgation of rules to implement provisions of the bill; establishing desk procedures by which implementation of the bill would occur; developing application and certification forms; overseeing contractors that perform the creditworthiness analysis of the borrower to establish their ability to repay and determine the customary interest rate; performing the analysis of the economic condition of the project area; reviewing and analyzing the results of the energy audit; analyzing other eligibility factors in accordance with regulations and program guidelines; preparing and presenting recommendations regarding certifications of qualification as an eligible energy-savings enterprise to the EIERA Board for action; reviewing loan agreements and other documents for program compliance; recruiting lending institutions for participation; assisting in negotiations with participating lending institutions; providing technical and application assistance to potential borrowers; providing technical assistance and guidance to other staff relating to work methods and program procedures; responding to inquiries relating to the process for program participation; preparing and presenting program-specific seminars and workshops to prospective borrowers, energy auditors, energy improvement installation professionals, economic development professionals and banking professionals; preparing appropriate reports to ensure no duplication with other programs; conducting site visits to verify compliance with eligibility requirements; review of interest payment requests; preparing activity reports and assisting in preparation of accounting reports.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**GENERAL REVENUE**

Cost - Department of Natural Resources

Energy Saving Incentive Program	<u>\$0 to (Greater than \$100,000)</u>	<u>\$0 to (Greater than \$100,000)</u>	<u>\$0 to (Greater than \$100,000)</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE*</b>	<b><u>\$0 to (Greater than \$100,000)</u></b>	<b><u>\$0 to (Greater than \$100,000)</u></b>	<b><u>\$0 to (Greater than \$100,000)</u></b>
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**\*Costs to implement this proposal plus unknown impacts from the level of participation with the proposed programs could exceed \$100,000.**

FISCAL IMPACT - Local Government

FY 2012  
(10 Mo.)

FY 2013

FY 2014

\$0

\$0

\$0

FISCAL IMPACT - Small Business

Small businesses participating in the linked deposit program set forth in 30.750-.865 would receive a reduced rate loan for energy improvements. Small businesses participating in the interest buy-down program under 260.035.3 would receive a below market interest rate for loans financing energy improvements. It can also be assumed that following the installation of energy improvements, the energy consumption of the business would be reduced and the resulting bills lower than without the improvements.

FISCAL DESCRIPTION

This act adds businesses seeking to make energy improvements as an additional eligible recipient of the low-interest loans available through the State Treasurer's linked deposit loan program. The act directs the Environmental Improvement and Energy Resources Authority (EI ERA) to carry out some of the administrative duties, in cooperation with the State Treasurer's office, which include processing applications and determining participant eligibility. The act lists several criteria the EI ERA must use in determining eligibility, including economic conditions of the project area and potential energy savings to be gained by the project. Loans are limited to \$200,000 per project.

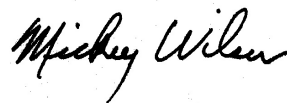
The act also directs the EI ERA to administer an interest buy-down program, where it makes interest payments amounting to the difference between the going interest rate and 3% for loans made to businesses for energy improvements. Participants in the interest buy-down program must meet the same criteria as for participation in the linked deposit loan program, however, no participant can receive both the interest buy-down and a reduced-rate loan for the same project. The maximum interest buy-down per project is \$30,000.

Energy audits are required to determine participant eligibility for both of the programs in the act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development  
Office of Public Counsel  
Public Service Commission  
Housing Development Commission  
State Treasurer's Office  
Department of Higher Education  
Department of Agriculture  
Secretary of State's Office  
Department of Natural Resources

A handwritten signature in black ink, reading "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 25, 2011